

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER )  
COMPANY TO AMEND ITS DEMAND-SIDE )  
MANAGEMENT PROGRAM AND FOR )  
AUTHORITY TO IMPLEMENT A TARIFF TO ) CASE NO. 2012-00367  
RECOVER COSTS AND NET LOST )  
REVENUES AND TO RECEIVE )  
INCENTIVES ASSOCIATED WITH THE )  
IMPLEMENTATION OF THE PROGRAMS )

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO  
KENTUCKY POWER COMPANY

Kentucky Power Company ("Kentucky Power"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before November 8, 2012. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Kentucky Power shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Kentucky Power fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to the Joint Application (“Application”) cover letter (“Letter”), page 2, which states, “If the extension is granted, the Company will consider implementing various improvements in these programs as described in the section of the program evaluation reports labeled ‘Key Findings and Recommendations.’” By program, provide, with explanation, the various improvements that Kentucky Power is considering implementing and requesting the Commission to approve.

2. Refer to the Application Letter, page 3, which states, “The Company also proposes to extend the *Pilot Residential and Small Commercial Load Management Program* through 2013. Extending the program will allow the Company to evaluate the program using more participants through a full winter and summer season. The complete evaluation report will be subsequently filed with the Commission along with recommendations for this pilot program.” Provide a status of the program as of the date of this response.

3. Refer to Section 3, Residential and Small Commercial Heating Ventilation/Air Conditioning Diagnostic and Tune-Up Program (“HVAC Diagnostic and Tune-Up Program”) Evaluation, page 12. It states the following:

Kentucky Power rebated 29 residential and small commercial diagnostic and tune-up services in 2010, achieving 22 percent of the 130 participant goal. This was likely due the fact that the program was approved by the Kentucky PSC in August 2010 but the participation goals were based on an approval date of February 2010. There were 1,114 participants in 2011, exceeding the 700 participant goal by approximately 60 percent.

Refer to Section 3, HVAC Diagnostic and Tune-Up Program Evaluation, page 13.

It states the following:

Actual 2010 expenditures and cost per participant were lower than originally budgeted, but the 2011 expenditures exceeded the original budget. The actual 2011 residential expenditures were \$100,224 compared to the original approved budget of \$63,780 and actual 2011 small commercial expenditures were \$27,093 compared to the original approved budget of \$24,120. However, the 2011 residential cost per participant was lower than budgeted while the small commercial cost per participant was higher than budgeted.

Also, refer to Section 3, HVAC Diagnostic and Tune-Up Program, page 32. It states, “Although the HVAC Diagnostics and Tune-Up Program did not have a cost-effectiveness ratio greater than 1.0, the entire portfolio being evaluated is cost-effective in 2011.”

a. Explain, if at the time that the HVAC Diagnostic and Tune-Up Program was evaluated for Commission approval the program was cost effective<sup>1</sup> and the number of actual participants and related direct program costs were proportional to the 2011 budget goals, what has changed in evaluating the cost effectiveness in this filing versus the initial evaluation of the approval of the program.

b. Explain at what level of participation and direct program cost this program would be cost effective.

c. Explain why, if a program that is not cost effective and the number of participants and direct program costs exceed the approved budget, the ratepayers should bear the cost that exceeds the approved budget amount.

4. Refer to Section 6, Small Commercial Heat Pump/Air Conditioner (“HP/AC”) Incentive Program Evaluation, page 24, Table 13. The net demand and energy savings per unit for heat pumps (“HP”) is 23,912 kWh, and for central air conditioners (“AC”) it is 722 kWh. The actual 2011 participants for HP were 21, and for AC it was 3. This gives an average annual kWh impact of 1,139 for the HP and 241 for the AC per participant. On Exhibit C, the 2012 annual kWh impact per participant for HP is 1,188 and for AC it is 251. Explain the difference.

5. Refer to the response to Commission Staff’s First Request for Information (“Staff’s First Request”), Item 7a. It states, “Many of these are one-time start-up and implementation expenses.” Confirm that the fixed costs are one-time start-up and implementation expenses that should not recur.

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<sup>1</sup> Case No. 2010-00095, Joint Application Pursuant to 1994 House Bill No. 501 for the Approval of Kentucky Power Company Collaborative Demand-Side Management Programs, and for Authority to Recover Costs, Net Lost Revenues and Receive Incentives Associated with the Implementation of One New Residential, One Combined Residential/Commercial, and One Commercial Demand-Side Management Program Beginning January 1, 2010 (Ky. PSC Aug. 10, 2010).

6. Refer to the response to Staff's First Request, Item 9. It states, "The Company is evaluating proposals to contract for an implementation contractor to provide turn-key project management and incentive processing for five DSM programs." Provide an update of Kentucky Power's proposal to contract for an implementation contractor.

7. Refer to the response to Staff's First Request, Item 12. It states, "The Total Resource Cost Test (TRC) cost-effectiveness is not affected by customer incentives."

a. Explain the effect, if any, there will be on the other California cost-effectiveness tests due to increased incentives.

b. Explain, in general, how the results of the other California cost-effectiveness tests, due to the increased incentives, will affect Kentucky Power's decision making in implementing, expanding, continuing, or discontinuing DSM programs.

8. Refer to the response to Staff's First Request, Item 14. It states, "Environmental costs were not included in the analysis."

a. If environmental costs were considered in the California cost-effectiveness tests, explain whether the programs that are deemed not cost-effective, would become so.

b. In the cost/benefit evaluation of the Residential High Efficiency Heat Pump-Mobile Home Program, on page 12 of the application in Case No. 2008-

00350,<sup>2</sup> it states, "The primary drivers for the increased B/C ratios were increased fuel costs and increased emission rates." Explain whether fuel costs and emission rates were a consideration in the cost-effectiveness for this program and other programs being evaluated in this filing.

9. Refer to the response to Staff's First Request, Item 15. It states, "The Company is currently evaluating proposals from three vendors following issuance of an August 20, 2012 Request for Proposal for 'turn-key' program services, with the aim of enhancing the program's cost effectiveness levels." Explain the status of Kentucky Power's evaluation of proposals from the three vendors.

10. Refer to the response to Staff's First Request, Item 17. It states, "Kentucky Power plans to utilize an implementation contractor to process customer and dealer incentive payments."

a. Explain how the cost of an implementation contractor will be captured, and whether the cost of an implementation contractor will affect the cost-effectiveness of the program.

b. Explain how the customer and dealer/vendor incentive payments have been handled for other programs if an implementation contractor has not been used.

11. Refer to the response to Staff's First Request, Item 19. It states, "The Company expects that some combination of changes to program offerings, incentive

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<sup>2</sup> Case No 2008-00350, Joint Application Pursuant to 1994 House Bill No. 501 for Approval of Kentucky Power Company Collaborative Demand-Side Management Programs and Authority to Implement a Tariff to Recover Costs, Net Lost Revenues and Receive Incentives Associated with the Implementation of the Kentucky Power Company Collaborative Demand-Side Management Programs (Ky. PSC Nov. 25, 2008).

levels, or program budgets would increase cost-effectiveness.” Provide an expanded response to this statement.

12. Refer to the response to Staff’s First Request, Item 25. It states, “After recommendations from and discussions with AEG and APT, Kentucky Power will remove LED holiday lights, LED nightlights and ENERGY STAR ceiling fans from the program, subject to approval from the Public Service Commission.” Explain whether this is one of the “Key Findings or Recommendations” that Kentucky Power is considering, and for which Kentucky Power is requesting Commission approval.

13. Refer to the response to Staff’s First Request, Item 31.

a. With respect to the capacity costs listed in the response, explain what, if any, consideration was given toward Kentucky Power for building or buying generation capacity.

b. Identify and explain the reasons why it is more appropriate to use PJM prices for avoided costs, rather than costs specific for Kentucky Power for building or buying generation capacity.

14. The PJM auction price for capacity for planning year 2008-2009 relative to 2012-2013 is \$16.46/MW-Day.

a. Provide the PJM auction price for capacity from the planning years relative to the following years: 2009-2010; 2010-2011; 2011-2012; 2013-2014; 2014-2015; and 2015-2016.

b. Explain at what PJM auction price for capacity the Kentucky Power DSM programs that are currently not cost-effective would become cost-effective.

15. Refer to the response to Staff's First Request, Item 33. It states that "the incentives identified in the Company's February 2012 filing were misreported because of an error." Provide any analysis necessary to explain the error.

16. Refer to the response to Staff's First Request, Item 34, attached Compact Disc. Explain whether the headings on the Microsoft Excel spreadsheet labeled "Item No 1 – Efficiency Incentives and KWH Savings WC 7.20.11" should be 2008 3-Year Prospective or 2011 3-Year Prospective.

17. For those DSM programs, as of June 30, 2012, whose participation level is 45 percent or less of goal, explain Kentucky Power's plan to meet the 2012 goal.



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Dated OCT 25 2012

cc: Parties of Record

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